

Whitestown, IN Tax-Secured Bonds Upgraded To 'AA' From 'AA-' On Stronger Economic & Management Profiles; Outlook Stable

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CHICAGO (S&P Global Ratings) Nov. 12, 2018--S&P Global Ratings raised its long-term rating on the Town of Whitestown, Ind.'s ad valorem tax-secured bonds one notch to 'AA' from 'AA-'. The outlook is stable.

S&P Global Ratings also assigned its 'AA' long-term rating and stable outlook to Whitestown Redevelopment Authority's \$6.42 million lease rental revenue bonds series 2018, issued for Whitestown.

"The upgrade reflects our view that the town's economic and management profiles have continued to strengthen," said S&P Global Ratings credit analyst Anna Uboytseva. "Whitestown's tax base expanded at a faster-than-anticipated rate and this resulted in an overall improvement of the town's economic assessment. Management also continued to diligently follow its newly adopted financial management practices and policies in 2018," Ms. Uboytseva added.

While Whitestown's fiscal and economic positions are much improved, we partially attribute the gains to a combination of cyclically favorable economic conditions, a positive revenue environment (availability of the new public safety income tax revenue in 2017 and a property tax override), and still somewhat small budget and service base. Over the long term, budget management will play a key role in Whitestown's credit profile until the service base and town's budget reach maturity.

The 2018 bonds are issued pursuant to a trust indenture between the redevelopment authority and the trustee, and a lease between the redevelopment authority, as lessor, and redevelopment commission, as lessee. Lease rental payments are secured by ad valorem taxes against all taxable property within the redevelopment district's boundaries, which are coterminous with the town's boundaries. The bonds are also secured by and payable from county option income tax funds, public safety income tax funds, and \$85,000 per year of tax increment revenue generated from the maple growth allocation area. We rate the 2018 bonds based on the ad valorem property tax security because legal protections against the coverage dilution for other revenue sources are not very strong, in our opinion.

Proceeds from the bond issuance will be used to construct a new police station, to purchase a new fire truck, and to refinance the town's 2017 bond anticipation notes.

The 'AA' rating reflects the following characteristics:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with an available cash reserve in fiscal 2017 of 36% of operating expenditures;
- Very strong liquidity, with total government available cash at 60.5% of total governmental fund expenditures and 2.8x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability profile, with debt service carrying charges at 21.9% of expenditures and net direct debt that is 315.3% of total governmental fund revenue; and
- Strong institutional framework score.

The stable outlook reflects our opinion that Whitestown's economic growth will remain strong and the town's budgetary flexibility to remain at what we consider very strong levels. While Whitestown's fiscal position is much improved, we partially attribute its gains to a combination of cyclically favorable economic conditions, positive revenue environment (availability of the new public safety income tax revenue in 2017 and a property tax override), and still somewhat small budget and service base. Inherently, therefore, this leaves expenditure-side management and economic conditions as the crucial variables determining whether the town's budget alignment will persist when the budget reaches its maturity or when the economic cycle turns. In the near term, however, we think that this positive environment will still be there, therefore do not expect to change the rating during our two-year outlook horizon.

If structural budget alignment remains a fiscal policy priority under various

economic and budget cycles and all metrics remain relatively strong or improve, we see potential for us to raise the rating on the town.

Should growth pressure result in deficit budgets and subsequent large draws on cash reserves, we could lower the rating.

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- 2018 Update Of Institutional Framework For U.S. Local Governments

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